UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/UZB/1
30 December 1996

ORIGINAL: ENGLISH

Second regular session 1997
10-14 March 1997, New York
Item 2 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR UZBEKISTAN (1997-1999)

CONTENTS

		Paragraphs	Page
INTRODUCTION		1	2
I.	DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 10	2
	A. Social and economic transformation	2 - 6	2
	B. Transition to democracy	7 - 8	3
	C. Environment: towards sustainability	9 - 10	3
II.	RESULTS AND LESSONS OF PAST COOPERATION	11 - 20	3
	A. Official development assistance	11	3
	B. The first country programme	12 - 14	3
	C. Government strategy for UNDP cooperation	15 - 17	4
	D. Lessons learned	18 - 20	5
III.	PROPOSED STRATEGY AND THEMATIC AREAS	21 - 35	5
	A. Jobs and incomes	22 - 27	5
	B. Democracy, governance and participation	28 - 31	6
	C. Environment	32 - 33	7
	D. Promotion of regional dialogue	34 - 35	7
IV.	MANAGEMENT ARRANGEMENTS	36 - 41	8
	A. Execution and implementation	36 - 39	8
	B. Programme monitoring and review	40	9
	C. Resource mobilization	41	9
Annex.	Resource mobilization target table for Uzbekistan (1997-1999)		10

/...

96-37769

INTRODUCTION

1. The first country cooperation framework (CCF), which covers the period 1997-1999, describes the approach followed and the programmes selected by the Government and UNDP in order to foster sustainable human development (SHD) in Uzbekistan. The CCF reflects the experience of recent cooperation with UNDP and builds on the results achieved. The document draws on the advisory note prepared by UNDP, and extensive consultations which took place with key government counterparts, United Nations agencies, other donors and representatives of the emerging civil society. In particular, the CCF incorporates the analysis developed in the 1995 and 1996 national human development reports.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

A. Social and economic transformation

2. Uzbekistan is home to an ancient culture and a new State. Since gaining its independence in 1991, Uzbekistan has been undergoing a systematic transformation of its economy, polity and society. To achieve these changes, the Government opted for a gradual approach to reforms and so far Uzbekistan has been more successful than many other countries in the Commonwealth of Independent States in preventing sharp falls in output and incomes. As a newly independent country, the Government also felt that the economic revival must be linked with spiritual and cultural revival, in order for Uzbekistan to establish a social base durable enough to sustain economic growth.

3. Landlocked Uzbekistan began independence with a huge shock: it lost aid transfers from the former Soviet Union equivalent to more than 19 per cent of its gross domestic product (GDP). Although Uzbekistan was among the poorest of the republics of the former Soviet Union, its human development indicators were at a high level. Adult literacy was 97.2 per cent and life expectancy was 69 years.

4. Between 1991 and 1995 real GDP per capita declined 27 per cent and inequity in the distribution of income, as measured by the Gini coefficient, increased by some 20 per cent. This has led to a rise in the incidence of poverty, which is largely concentrated in the rural areas. At the same time, a new stratum of urban poor has emerged among fixed wage earners, pensioners and households with large numbers of children. Moreover, as enterprise restructuring and privatization intensify, there is likely to be a worsening of the employment problem and a further increase in poverty.

5. The first phase of the transition has resulted in the partial stabilization of the economy and the putting into place of essential elements of economic governance. Foreign investment interest is growing, with some very substantial projects in mining, petroleum, agriculture and manufacturing already under way. A comprehensive range of laws, especially those governing commercial activity has been promulgated, and a range of financial institutions established to provide the necessary framework for the development of a market economy.

6. As highlighted by the UNDP/International Labour Organization (ILO) policy review and the 1996 national human development report, the proportion of output devoted to improvements in the stock of human, natural and physical capital will have to rise in order to sustain Uzbekistan's rapid growth. The Government intends to further implement policies encouraging savings in households, enterprises and government sectors, and to ensure that those savings are invested efficiently to make the highest possible contribution to accelerated growth. Efforts must be concentrated on creating space for the emergence of a

large, labour-intensive private sector and for the benefits of growth to be widely distributed among the working populations.

B. Transition to democracy

7. In December 1992, Uzbekistan adopted a new constitution, establishing basic principles on civil rights and the separation of powers. Since 1993 there has been increasing reform of the legislature, with parliamentary elections taking place in December 1994. Progress in the democratization process has facilitated relations with the international community and led to the signing of the Partnership and Cooperation Agreement with the European Union in April 1996.

8. The steps taken in the next several years will lay the legal foundations for the establishment of political parties within a multiparty system, non-governmental organizations (NGOs), an ombudsman institution, and the strengthening of the role of lawyers in the judicial framework. These developments will mean the strengthening of civil society, more effective human rights protection, more balanced relations between various branches of power and a movement towards sound governance. Of key importance will be the development of a proper judiciary, making possible the introduction and observance of the rule of law.

C. Environment: towards sustainability

9. The desiccation of the Aral Sea and the related regional environmental degradation ranks as one of the major man-made ecological disasters of this century. This crisis is the outcome of past unsustainable regional development policies motivated by narrow economic and strategic concerns. An estimated 30 million of the region's 50 million people are affected by the Aral Sea crisis, which has resulted in sharp increases in infant and maternal mortality rates and almost complete disruption of economic activity.

10. Although the Aral Sea disaster has received priority attention, Uzbekistan clearly faces other critical environmental problems related to water quality and use, agricultural land use, desertification, industrial and municipal pollution and the loss of biodiversity, all of which threaten the basic productivity base and ecological stability of the country. Addressing this complex array of interrelated environmental, economic, social and political problems and issues will be a major challenge for Uzbekistan and the international agencies supporting national efforts to achieve sustainable development there.

II. RESULTS AND LESSONS OF PAST COOPERATION

A. Official development assistance

11. When it gained independence in 1991, Uzbekistan had no mechanism for dealing with foreign relations, including aid. In 1992, with the support of UNDP, a Department for the Coordination of External Economic Activities (DCEEA) was established in the Cabinet of Ministers. This aid coordination structure is instrumental in ensuring that external assistance to Uzbekistan becomes increasingly demand-driven and meets national priorities. The strengthening of DCEEA is of particular importance since governmental adherence to macroeconomic reform and structural changes has led to increased commitments by donors, with total aid flows reaching $69.5 million in 1995.

B. The first country programme

12. UNDP developed its operations in Uzbekistan for the fifth cycle with an indicative planning figure of $7.72 million, including an independence bonus of

$1.4 million, allocated in two tranches in 1996. The first country programme, which covered the period 1994-1996, concentrated on economic management and aid coordination, private sector development and privatization, social sector reform, and the promotion of a sustainable environment. Since a major hindrance to economic reform was the lack of institutions and experienced national specialists, UNDP focused on capacity-building for economic management.

13. The preparation of the 1995 national human development report initiated a tradition of publishing annual reports. Not only were the 1995 and 1996 reports the first national human development reports to be produced in the country, they were also prepared with a high level of national input, in terms of authorship and production. This collaboration between UNDP and national professionals led to wide-ranging discussion and heightened comprehension of development problems in Uzbekistan.

14. UNDP undertook several joint initiatives with the Government to address and increase awareness of environmental issues. Jointly with the Government, UNDP organized the Nukus Conference on the Aral Sea, which resulted in the historic Nukus Declaration on the Sustainable Development of the Aral Sea Basin, committing the five concerned Governments to SHD actions in Central Asia.

C. Government strategy for UNDP cooperation

15. The Government values the strong partnership it has developed with UNDP in technical cooperation, policy dialogue and resource mobilization. From the outset, UNDP has been active in assisting the Government in its dialogue with the international community on external assistance. Further UNDP involvement will be crucial in building up national capacity for external resource management, making aid less donor-driven and promoting national SHD objectives, as well as stimulating interest within the international business community to invest in SHD concerns. The close cooperation developed with UNDP in the follow-up of global conferences, particularly the World Summit for Social Development, and the support provided by UNDP jointly with other United Nations agencies for the ratification of key international conventions by Uzbekistan are also of primary importance for SHD promotion in the country.

16. UNDP has achieved a strong impact in advocating crucial themes during the transition process. In particular, UNDP has made it a priority to work with the Government on policies and programmes affecting the status of women and to reflect gender concerns in all UNDP-supported projects. One major challenge has been to protect the social gains achieved by women over the past decades. In this respect the Government has responded favourably to UNDP advocacy efforts by creating a new government unit and appointing a Deputy Prime Minister responsible for women's issues. Civil society development, including human rights and NGOs, has also become a central issue in the transformation process of Uzbekistan. UNDP support to NGOs and their involvement in SHD programmes helps to ensure greater participation in activities developed at the grass-roots level in Tashkent as well as in the provinces, particularly in the Aral Sea disaster region and the Ferghana valley.

17. The use of UNDP modalities for technical cooperation, and in particular access to programmes such as the United Nations Volunteer (UNV) programme and technical cooperation among developing countries, has contributed substantially to the value of United Nations activities. The use of these modalities should be continued and the application of Transfer of Knowledge Through Expatriate Nationals (TOKTEN) and United Nations Short-Term Advisory Services schemes should be increased. With regard to TOKTEN, there are some 4 to 5 million Uzbeks overseas, representing great potential for technical assistance and capital remittances.

D. Lessons learned

18. Although the programme of cooperation with the Government is new and the scope for an assessment of progress is limited, some interesting patterns have already emerged.

19. UNDP assisted the Government in explaining and discussing its policy views in critical areas by conducting highly visible seminars and conferences. Such events helped reinforce the role of the United Nations in such dialogue and resource mobilization. At the same time it was recognized that the United Nations and UNDP also needed to demonstrate some practical results that could be "felt" by the people of the country. Uzbekistan has only recently been introduced to the concept of technical cooperation, and such projects, when combined with more abstract, policy-driven ones, provide concrete illustrations of the actions advocated by UNDP. They also deepen the involvement of local provincial authorities.

20. Experience gained thorough projects developed under national execution has been of great value in fostering a sense of ownership. At the same time, resident chief technical advisors placed within national institutions proved useful in ensuring continuity and maintaining the momentum of actions already under way. Finally, since government institutions are still faced with a high turnover of staff, training is a strategically important component in UNDP activities. Learning by doing has proven to be of particular value. Such experience is not only the optimal way of transferring and disseminating knowledge, but ensures the highest long-term return.

III. PROPOSED STRATEGY AND THEMATIC AREAS

21. Uzbekistan has met the 20/20 commitment in the allocation of its budgetary resources. It plans to pursue growth while keeping its commitments on social protection intact. The key issues targeted by UNDP in pursuance of its mandate for SHD correspond to the Government's development priorities and its desire to create a "social market economy". The Government welcomes UNDP efforts to develop key programmes within its SHD mandate which have the potential of a major impact on people's material conditions and their participation in the economic and social sectors. As a result of the continuous dialogue between the Government and UNDP, four such programmes have been selected: jobs and incomes; democracy, governance and participation; environment; and promotion of regional dialogue.

A. Jobs and incomes

22. The social policy review carried out in 1995 initiated a major policy dialogue and led to a request for UNDP/ILO support in the design of a major national programme to accelerate jobs and incomes in Uzbekistan. The review emphasized that sound policy was a prerequisite for the success of economic reform and that social policy needed to go beyond addressing the negative consequences of macroeconomic policy. The 1996 national human development report estimates that about 1.5 to 2.0 million people, the majority of them being women, are either unemployed or underemployed. In addition, there is an annual inflow of about 500,000 young people looking for work. To meet these challenges, it is clear that the economy has to grow broadly in ways which utilize labour. Drawing upon the lessons learned from success stories in Asia, the programme rests on three pillars: the development of markets and small- and medium-scale enterprises; an employment guarantee scheme; and poverty alleviation.

23. Development of markets and small- and medium-scale enterprises. Administrative, taxation and legal obstacles are quite formidable for new investors in small- and medium-scale enterprises. The programme seeks to design a package of measures to remove such obstacles and improve the functioning of markets. Activities to develop small- and medium-scale enterprises will focus on establishing an enabling environment, developing skills, and providing direct support, including credit mechanisms.

24. Employment guarantee scheme. The scheme is meant to extend the right to a job to all. Since it is not meant to compete with the private sector, the wage will be set above the unemployment benefit but below the lowest wage offered in the private sector. The guaranteed employment scheme is considered one way to create jobs and accelerate capital formation and growth. The programme will focus on the creation and maintenance of social infrastructure and will involve both private and public sectors.

25. Poverty alleviation. Despite the above-mentioned programmes, there will be vulnerable groups that are unable to participate and benefit from the growth process. These vulnerable groups will need direct social transfers channelled through community-based mechanisms (mahallas) and incorporating schemes for self-employment. Active participation and well directed transfers are expected to enhance the quality of support provided without undermining the dignity of the people involved.

26. The creation of a Social Transformation Fund (STF) will provide a framework for the consolidation of the above programmes. This will be the first time that a Fund will be established to transform a society and an economy. The activities of the Fund are expected to begin in 1997, with UNDP assistance in resource mobilization activities. A donor meeting organized jointly by the Government and UNDP is planned for mid-1997.

27. It is anticipated that the overall programme will generate some 400,000 jobs and that more than 2 million people in the targeted area will benefit from created assets and business services. Specific attention will be devoted to improving the social and economic situation of women through their increased participation in productive activities and better access to basic social services. The programme will be reinforced by several ongoing UNDP-supported activities in private sector development, with assistance provided in privatization, small- and medium-scale enterprise development and foreign investment promotion.

B. Democracy, governance and participation

28. The participation of the people in their own development is critical to the sustainable and effective resolution of societal problems. For this reason, the development of national NGOs within the framework of civil society is particularly important for Uzbekistan. The potential role of NGOs was first recognized by the Government during a UNDP-sponsored meeting on urgent human needs held in 1994. Most recently, at the opening of the Parliament session of autumn 1996 the President of Uzbekistan underscored the role NGOs could play in the development of the Uzbek society.

29. NGOs. UNDP has started a joint Government/NGO working group to improve the legal and tax framework for NGOs. At the same time UNDP is contributing to the strengthening and establishment of NGOs through a programme of small grants (Partners in Development) which will be made available to NGOs.

30. Human rights. A joint UNDP/Organization for Security and Cooperation in Europe/United Nations Human Rights Centre mission in February 1996 concluded that technical assistance could hasten Uzbekistan's movement towards

democratization and an improved human rights record. The technical assistance provided by UNDP will enable the Parliamentary Commission on Human Rights to create an ombudsman office and a national centre for human rights. Activities have already started with a review of the draft law on Ombudsmen. A second phase (1998-2000) will continue and expand the work begun earlier, while assisting in the establishment of a new national institution: the Centre for Democratic Governance. UNDP has also sponsored a mission to review the legal status of women, the results of which will be integrated with the work of the national centre for human rights.

31. Information and mass media. A UNDP/United Nations International Drug Control Programme (UNDCP)/United Nations Population Fund (UNFPA) project seeks to respond to the public information needs of a society undergoing rapid socio-economic transformation. The project will be closely linked to all the above-mentioned initiatives and will serve as an impetus for other programmes to strengthen the information and communications infrastructure in Uzbekistan.

C. Environment

32. Following the First Urgent Human Needs Conference in 1994, rapid response humanitarian projects and a water supply project were initiated in Uzbekistan to address specific health and livelihood problems. These projects were implemented together with the United Nations Children's Fund and the World Health Organization and in coordination with the World Bank. Building on the results of these activities, the Aral Sea Shore Rehabilitation Programme will cover consolidated interventions in environmental degradation, health and job creation, focusing on Karakalpakstan, the region in Uzbekistan most affected by the Aral Sea crisis. In addition, a micro-credit element loosely based on the Grameen Bank model has been added to generate income and introduce sustainable agricultural practices. In the micro-credit element of the programme a special emphasis will be placed on the participation of households headed by women. It is expected that the first phase of the programme will begin before the end of the year.

33. In addition, UNDP has initiated two enabling activities, one in climate change and one in biodiversity. Both are nationally executed, financed from Global Environmental Facility (GEF) resources. A project related to the Montreal Protocol is also under preparation.

D. Promotion of regional dialogue

34. In the present context of nation-building in Central Asia, two overarching concerns have been expressed by the Government of Uzbekistan, namely, the importance of preserving peace and stability in the region, and the crucial necessity of reviving links among Central Asian Republics as well as with neighbouring countries. At the Issyk Kul Conference and the Tashkent Seminar on Peace and Stability, the five Central Asian Republics acknowledged a shared responsibility for their common problems and agreed to work together on economic and social development, demographic issues and environmental concerns. At the same time, recent history has shown that tensions between countries and communities have led to crisis situations, which are often exacerbated by the economic and social difficulties of the transition and the continuing problems in Afghanistan and Tajikistan. As events demonstrate, human development depends on the social peace engendered when diversity is seen as a positive force in keeping societies innovative and dynamic in the long run.

35. Rather than addressing numerous regional problems separately, the thrust of the programme must be to secure the conditions for growth and development while at the same time promoting SHD. Two specific sub-programmes are a special peace and development programme for the Ferghana Valley, which has a population of 8

million and is shared by three countries (Kyrgyzstan, Tajikistan and Uzbekistan) and which is the source of many regional peace and development problems, and an interconnected sub-programme to develop improved links between Central Asia and its neighbours. The latter sub-programme, termed a revival of the Silk Road, draws upon the results of an ongoing UNDP/United Nations Conference on Trade and Development project on trade and transit as well as the UNDP/United Nations Educational, Scientific and Cultural Organization project on the revival of the historic city centres of Samarkand, Bokhara, Kokand and Khiva.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

36. National execution and use of national expertise. National execution with UNDP country office support is emerging as the primary mode of execution. Despite the relative lack of experience of the Government and the UNDP country office with this modality, national execution has received a positive response and clearly has had an impact on perceived ownership and efficiency. The challenge has been how best to involve locally available expertise with carefully selected external expertise. An excellent example of this was the preparation of the 1995 and 1996 national human development reports, which was managed nationally and utilized mostly national expertise.

37. Working with the United Nations system. Since it was formally established in January 1993, with the UNDP Resident Representative as United Nations Resident Coordinator, the unified United Nations Office has received strong support from the Government and created a high profile for the United Nations system in the country. The unified office also facilitated inter-agency dialogue and cooperation. Several initiatives are being developed which involve different United Nations agencies - UNDCP, UNFPA, the Office of the United Nations High Commissioner for Refugees and possibly others - in areas of common concern and national priority. Coordinated effort has been directed towards the promotion of United Nations mandates and global conventions, for example on human rights, refugees and displaced persons. The United Nations system has tried to focus on providing capacity-building support in areas where the Government is taking on new responsibilities congruent with the formation of a democratic society. The actual production of the country strategy note has been planned for mid-1997.

38. NGOs. The programme views NGOs, both national and international, as crucial partners in the development of UNDP activities. Through the democracy, governance and participation programme, national NGOs in Uzbekistan will be strengthened and their involvement in UNDP activities increased. This will particularly hold true for NGOs acting at the grass-roots level in community development, gender issues and poverty eradication.

39. The UNV programme. The UNV programme in Uzbekistan started in August 1993, and a total of 45 UNVs have been fielded since then. Until mid-1994 some UNV specialists served as university lecturers in economics, business, management and languages. Since that time the priorities and strategy of the programme have shifted and UNV is now focusing on projects and activities more directly aimed at bringing about SHD in line with government priorities and the overall philosophy of UNDP. Thus, the newly diversified UNV programme will contribute to initiatives which target women, the environment, poverty alleviation, employment and civil society development.

B. Programme monitoring and review

40. Responsibility for continuous monitoring at the national level lies with the Department for the Coordination of External Economic Activities of the Cabinet of Ministers, in collaboration with the UNDP country office. Regular review of programme implementation will be entrusted to the Local Programme Advisory Committee (LPAC), which was already involved in the preparation of the UNDP advisory note. In addition to UNDP core staff, the LPAC comprises representatives from key government counterpart institutions, United Nations agencies and organizations, cost-sharing donors and NGOs.

C. Resource mobilization

41. Resource mobilization target. The raising of additional resources is envisaged for all activities supported by core funds. Approximately $9.0 million has been raised so far, $3.5 million of which has been channelled through UNDP. Efforts under way should substantially increase the level of resources being managed by UNDP, complementing core resources over the 1997-1999 period. The Government is already providing financial support to several UNDP projects, and contributions to the proposed programmes are being discussed. Two donor conferences on urgent human needs were organized by UNDP in 1994 and 1996 and other international donor conferences are planned to support joint Government/UNDP activities. A donor conference in Geneva is proposed for mid-1997 to finance the Social Transformation Fund. In addition to cost-sharing resources received from bilateral donors, the resource mobilization strategy will include negotiations with the World Bank and the European Union for cost-sharing contributions in areas of common interest. The existing Trust Fund for Urgent Human Needs in Uzbekistan will be used further to answer the country's most pressing needs.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR UZBEKISTAN (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	2 491	
TRAC 1.1.1	1 644	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	228	
Other resources	1 543	In line with decision 95/23, paragraph 19.
Subtotal	5 906 a/	
NON-CORE FUNDS		
Government cost-sharing	17 000	Including funds from the World Bank through the Government.
Sustainable development funds	-	To be determined. Significant funds expected from GEF and Capacity 21.
Third-party cost-sharing	1 700	
Funds, trust funds and other	-	
Subtotal	18 700	
GRAND TOTAL	24 606 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.